April 17, 2014

The Honorable Jerome Horton, Chair
Board of Equalization
Sacramento, CA 95814

Re: Letter to Assessors "Guidance Regarding Taxable Possessory Interests Property Tax Rule
        21(d), *Term of Possession for Valuation Purposes"*
        (April 22-23, 2014 Meeting)

Dear Chairman Horton:

The California Airports Council (CAC) supports the proposed LTA regarding "Guidance Regarding Taxable Possessory Interests Property Tax Rule 21(d), *Term of Possession for Valuation Purposes*" at the Board's meeting on April 22-23, 2014. The CAC represents California's 30 commercial service airports, representing the most commercial aviation activity than any other single state.

The CAC believes this LTA is appropriate due to the Court of Appeals decision in *California State Teachers' Retirement System v. County of Los Angeles* (2013) 216 Cal.App.4th 41 which held that the real property rights held by a private entity in public land may be taxed, but that the public's reversionary interest must never be taxed.   This protection of the public entity's tax-exempt status is perfectly complementary to the decision in the case of *American Airlines Inc. v. Co. of Los Angeles,* (1976) 65 Cal.App.2d 325, which held that the private tenant of a public airport cannot be taxed on a mere expectation of possession of a future lease term.

As the *American Airlines* case made clear, public airports and airfields contain many possessory interests – from the airlines themselves to rental car companies to the hundreds of vendors and concessionaires that provide accommodations and services to our customers when they travel. Because of this, utilizing the correct appraisal methodologies in PI taxation is a matter that not only directly affects the bottom line of the aviation industry but to all of the tenants of an airport and the airport itself.

Thank you for working to both protect the tax-exempt status of California's public airports and to protect our tenants and their customers from unnecessary charges.

Sincerely,

Jim Lites
Executive Director